



METHODOLOGY

Direct Life Insurance

What is the CANSTAR Direct Life Insurance Star Rating?

CANSTAR *Direct Life Insurance Star Ratings* use a sophisticated and unique ratings methodology that compares both cost and features across direct life insurance products. CANSTAR star ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked. CANSTAR *Direct Life Insurance Star Ratings* is a transparent analysis comparing all types of direct life insurance products.

Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

Eligibility Requirements

In order to be considered for the Star Rating, a product must meet the following requirements:

- Has been available in the market for at least 12 months
- Available directly to the consumer with no financial planner involvement
- Not restricted solely to members of a specific organisation
- Cover is for sickness and accident (i.e. it is not accident-only cover)
- A quote must be available without the need for a medical
- A quote must be available for all three coverage amounts considered for comparison purposes
- Quoting must be possible either online, from rates in the Product Disclosure Statement or via information the provider supplies to CANSTAR directly.

Profile Description

Direct Life products included in the CANSTAR *Direct Life Insurance Star Rating* are assessed across 20 profiles based on age group, gender and smoking status with a star rating assigned for each profile.

The profiles considered are as follows:

Age Group	Gender	Smoking Status
Twenties (20-29 years)	Male	Smoker
Thirties (30-39 years)	Female	Non – Smoker*
Forties (40-49 years)		
Early Fifties (50-54 years)		
Late Fifties (55-59 years)		

*Non-Smoker is defined as a person who has not smoked for at least the last 12 months



Star Rating Methodology

Each direct life insurance product reviewed for the CANSTAR Direct Life Star Rating is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a "Pricing" score and a "Feature" score.

To arrive at the total score, CANSTAR applies a weight against the Pricing and Feature scores. The weights for each profile are 70% for pricing and 30% for features, reflecting the relative importance of costs and features in determining the outstanding direct life insurance products. This method can be summarised as follows:

TOTAL SCORE = PRICE + FEATURES



*For the Late Fifties profile a weight 50% is allocated towards \$250,000 and \$500,000 cover amounts, and a weight of 0% for the \$750,000 cover amount.

Pricing Score

The pricing score is calculated by collecting the premium data for all the 20 profiles, with quotes based on three levels of cover, \$250,000, \$500,000 and \$750,000, considered a low, medium and high sum insured amount, respectively. All ages within a profile are considered. The lowest priced product within each profile is allocated the maximum pricing score, with all remaining products scored against it.

Feature Score

The feature score is calculated by dividing the features into four categories, with each category carrying a point allocation and weighting. The product with the highest features score is allocated the maximum score, with all remaining products within the profile scored against it. The features categories and subcategories are:

Category	Weight	Description
Policy Terms	15%	
Premiums	50%	Minimum, stepped/level, frequency
Sum Insured	50%	Min/max sum insured, reduce for older ages, set amounts only
Standard Company Terms	40%	
Pre-existing Conditions	30%	Excluded, over 12/24/60 months or entire policy
Other Exclusions	50%	Suicide -period, riot, coup, dangerous pastimes/occupations, criminal activity, terrorism, do not travel advised country, war, HIV/AIDS, drug/alcohol abuse/influence
Indexation	5%	Available, premium freeze, increase refusals allowed, cap, indexation sum insured limit, restricted to earlier than expiry
Other Company Terms	15%	Special discounts/incentives, overseas, 24 hours worldwide, guaranteed renewable, cooling off period, life insured ownership, beneficiary, multiple lives, multi-policy discount, multi-life discount
Policy Benefits & Options	20%	
Terminal Illness	30%	Terminal illness benefit offered, max amount, expiry age, life expectancy for payment
Funeral Benefit	30%	Funeral benefit provided, maximum, increased if overseas, maximum for repatriation
Guaranteed Future Insurability (GFI)	10%	GFI offered (sum insured can be increased without underwriting at defined events), no of defined events available, increased cover restricted to accident only for first 6 months, max increase, how many times a year, max age to exercise GFI
Financial Advice	5%	Financial advice benefit provided, benefit amount
Riders	15%	TPD rider available, Trauma rider available
Other Benefits & Options	10%	Grief support/counselling, payment for accidental injury, lump sum benefit for death of child, diagnosis of illness, premium waivers
Application & Claims Process	25%	
Application Process	40%	Guaranteed cover, premiums in PDS, online application, save online application for later, phone based support to assist with application
Claims Process	30%	Initiated over phone/online, phone based support to assist with claim forms, standard time to process claim
Support	20%	Phone support - Number of days per week, hour per day
Interim Cover	10%	Immediate decision whether cover granted/declined, interim cover for sickness/accident, period, maximum amount

Direct Life Insurance Award

CANSTAR awards an Outstanding Value award to the insurer or insurers who offer outstanding value based on their cumulative score and star ratings performance across all 20 direct life insurance profiles.

Award Methodology

The weightings of each input within the three categories are shown below, and represent the relative importance of each input in determining the outstanding direct life insurance products.



Age Groups

Twenties
(20-29 years)
15% (-5)

Thirties
(30-39 years)
35% (+5)

Forties
(40-49 years)
35% (+5)

Early Fifties
(50-54 years)
10%

Late Fifties
(55-59 years)
5% (-5)

Gender

Male
50%

Female
50%

Smoking Status

Non - Smoker
85%

Smoker
15%



Does CANSTAR rate all products available in the market?

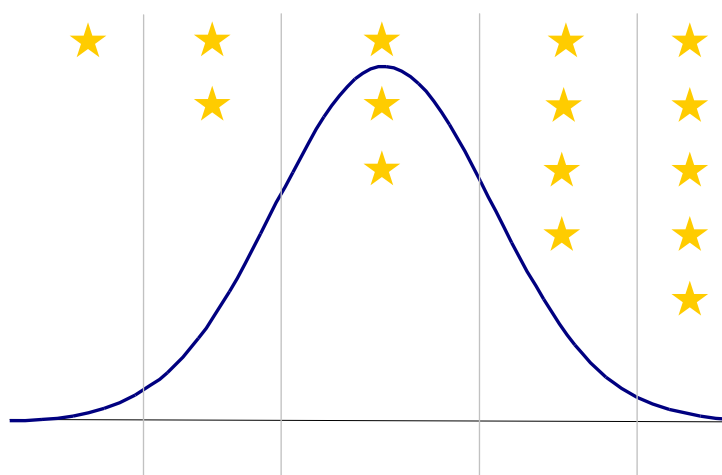
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are products reviewed for awards or star ratings purposes?

All ratings are fully recalculated every twelve months based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazines, television, websites, etc.)

How are the stars awarded?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the CANSTAR five-star rating.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.



- | | | |
|---------------------------|-------------------------|------------------------|
| • Account based pensions | • Agribusiness | • Business banking |
| • Business life insurance | • Car insurance | • Credit cards |
| • Deposit accounts | • Direct life insurance | • First home buyer |
| • Health insurance | • Home & contents | • Home loans |
| • Landlord insurance | • Life insurance | • Managed investments |
| • Margin lending | • Online banking | • Online share trading |
| • Package banking | • Personal loans | • Pet insurance |
| • Reward programs | • Superannuation | • Term deposits |
| • Travel insurance | • Travel money cards | • Youth banking |

COMPLIANCE DISCLOSURE and LIABILITY DISCLAIMER

To the extent that the information in this report constitutes general advice, this advice has been prepared by Canstar Research Pty Ltd A.C.N. 114 422 909 AFSL and ACL 437917 ("Canstar"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. Canstar provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to Canstar's FSG for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior written consent. All information obtained by Canstar from external sources is believed to be accurate and reliable. Under no circumstances shall Canstar have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of Canstar or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2014 CANSTAR Research Pty Ltd A.C.N. 114 422 909

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of CANSTAR by the respective trademark owner.

